Heritage reporting by the Australian Public sector: possibilities from the concepts of new public governance

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Abstract

Purpose

This paper seeks to contribute to the future development of heritage reporting in Australia. Public sector reporting of heritage has been a long-standing issue, due to shortcomings in (sector-neutral) for-profit-based financial reporting standards. Australia's sector-neutral approach does not meet public sector users' information needs. We develop a heritage reporting model to balance community and other stakeholders' interests and address prior critiques.

Design/methodology/approach

The paper reviews heritage reporting requirements in Anglo-Western Countries, and analyses commentaries and research publications. It evaluates the existing reporting requirements in the context of New Public Management (NPM) (which focuses on information and efficiency) and New Public Governance (NPG) (focusing on balancing interests and quality).

Findings

The paper proposes a NPG-based heritage reporting model which includes indicators of performance on the five UNESCO (1972) dimensions and operational guidelines issued by UNESCO (2015). These are identification, presentation, protection, conservation and transmission. The proposed model is consistent with the notion of US SFFAS 29 (the standard for Federal entities). Not all heritage must be capitalised and hence attachment of monetary value, but detailed disclosures are necessary.

Research limitations/implications

We expect the proposed heritage reporting model to better serve users of heritage information compared to the present AASB 116: Property, Plant and Equipment.

Originality/value

Our proposed model of heritage reporting attempts to answer Carnegie and Wolnizer's (1995, 1999) six questions, addresses decades of concerns raised in previous literature and provides a new perspective to heritage reporting based on NPG that should better serve users' needs.

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1. Introduction

The push for for-profit based accounting in the public sector as a result of the New Public Management (NPM) reforms has brought substantial criticism over several decades (McCulloch and Ball, 1992; Kettl, 1997; Hood, 1998; Carnegie and West, 2005; Van Peursem and Pratt, 1998), especially when it has resulted in reporting requirements that are sector-neutral and do not take the public sector context into account. For example, a recent report by the AASB (2015) is concerned that the implementation of private-sector based International Financial Reporting Standards (IFRS) in the Australian public sector requires excessive disclosures and that the costs of complying with some standards outweigh the benefits. In highlighting a lack of relevance of some IFRS aspects, the AASB (2015) recognises the need to consider the main users of public sector reports and their information needs. In particular, the sector-neutral approach to reporting of heritage items[i] in the public sector continues to be a topic of debate and dissension (Ellwood and Greenwood, 2016; Kober, Lee and Ng, 2013). This relative decrease in support for sector-neutrality, the rise of New Public Governance (NPG) as a concept of public administration (Osborne, 2006, 2010) and the reinvigoration of the International Public Sector Accounting Standards Board's (IPSASB's) heritage project[ii], have motivated this paper which specifically aims to contribute to the future development of heritage reporting in Australia.

Previously the NPM push for accrual accounting in the public sector resulted in the requirement for heritage resources to be recognised and valued as assets in governments' balance sheets. Barton (1999a, 2005a, 2009) states such reporting is irrelevant, in particular the presentation of unique heritage resources as homogeneous. Others have also criticised such reporting as inappropriate (see Barton, 1999b, 2000, 2003, 2004; Boreham, 1994; Carnegie and Wolnizer, 1995, 1996, 1997, 1999; Stanton and Stanton, 1997, 1998). Nevertheless, Hone (1997) considers that, as heritage resources need managing, reporting them as assets recognises that public sector managers continuously value and trade-off the risks and rewards of continuing 'ownership'. Nevertheless external users of public sector financial reports are more interested in disclosure about heritage assets (Aversano and Christiaens, 2014).

Australia is not alone in requiring the reporting of heritage, as public sector entities in other Anglo-Western countries, including the United Kingdom (UK) and New Zealand, capitalise heritage resources (Ellwood and Greenwood, 2016; Hooper, Kearins and Green, 2005; Smith, 2007). In respect of Italian local governments, Aversano and Christiaens (2014) analyse the applicability of IPSASB's IPSAS 17 *Property, Plant and Equipment* as a way to report on heritage resources. Yet, they conjecture this standard is deficient for heritage as users' information needs will not be satisfied (Aversano and Christiaens, 2014) and it may threaten good governance of heritage assets (Biondi and Lapsley, 2014).

Carnegie and Wolnizer (1995, 1999) raised vital questions with regard to Australian museums' capitalisation of heritage collections about two decades ago. These included: the commercial meaning of attaching financial numbers to heritage collections, the reliability of such valuation, their significance in terms of fulfilling accountability, use of such numbers to measure efficiency, the notion that non-financial attributes can be quantified in financial terms and the questionable relevance of financial valuations obtained on different dates (or which are outdated) for making decisions. Responding to this challenge, we analyse aspects of heritage standards utilised in four different jurisdictions to ask: "how could Australian public sector reporting of heritage resources be more useful?" We develop a model for heritage reporting which is underpinned by the critical literature, a range of reporting standards and definitions, and the five dimensions outlined in UNESCO (1972) and operational guidelines issued by UNESCO (2015). We propose this model as a way forward both in how heritage is conceived and in how it is reported.

In developing the model, we consider the drivers for NPM through which accrual accounting (and eventually IFRS) was required in Australia, and summarise the development of New Public Governance (NPG), which "is predicated upon the existence of a *plural state* and a *pluralist state*" (Osborne, 2010, p.7). Osborne (2010) further notes that, in contrast to NPM's focus on market value, NPG seeks to use networks to manage 'dispersed and contested' values. Thus, NPG is likely to require different reporting emphases, including explanations. Hence, our model includes both financial and non-financial performance measures to be reported within entities' annual reports.

The next section outlines the concepts underpinning NPM and NPG. Section three compares and contrasts heritage reporting standards (which have been influenced by NPM) in four Anglo-Western countries: Australia, the UK, New Zealand and the US. In section four we propose our heritage reporting model that develops from NPG concepts. Finally, in the concluding section, the findings are summarised, limitations acknowledged and themes for future research are presented.

2. Concepts underpinning NPM and NPG

The introduction of extant requirements to account for heritage items occurred concurrently with the NPM reforms undertaken in Australia, the UK, New Zealand and US, and many other Western European countries (Parker and Gould, 1999). These reforms prioritised private sector practices, efficiency and effectiveness of service delivery, and performance management requiring targets and output reporting (Pallot, 1998). While Carlin (2005) notes that accrual accounting in the Australian public sector first occurred in 1913, the NPM reforms of the mid-1980s brought a widespread push for accrual accounting (Carnegie and West, 2005). The argument for accrual accounting was to increase accountability and performance disclosures (Potter, 2002), that is, to meet the need for better information (Oehr and Zimmerman, 2012). Carnegie and West (2005) note that such systems match costs and revenues. This provides data to fuel the neo-liberal drive for efficiency and results in job cuts and performance incentives (Considine and Lewis, 2003). Further, it is expected that the push for enhanced internal and external transparency results in better resource allocation – an outcome of knowing the cost of activities (Carlin, 2005; Ellwood and Greenwood, 2016). Nevertheless, a number of authors have refuted these claims (e.g. Carlin, 2005, Wynne, 2008).

Broadbent and Guthrie (2008) and others note that Australia, the UK and New Zealand 'led the world' in embracing the NPM reforms. On the contrary, while NPM reforms were also implemented in the US, they were not followed with such enthusiasm, and the US reflects a different approach (Broadbent and Guthrie, 2008), in particular through its continued use of cash budgeting. Carlin (2005) reports that, in some countries (particularly Australia and New

Zealand) it was considered useful to apply for-profit accounting standards with few changes, and thus render comparable output data for analysing the financial performance of both for-profit and public sector entities.[iii] Entities' financial positions were also important from the early 1990s, reflecting the move to the balance-sheet-approach that focused on reporting, valuing and managing assets and liabilities. Nevertheless, Carlin's (2005) Australian case study shows that the incentives for asset valuations differ between sectors, underpinning debates over the usefulness of sector-neutrality. This is not to suggest that accrual accounting *per se* presents an overarching issue, with Hoque and Moll (2001) recognising that the capitalisation of (general) public sector assets has led to these assets being better managed. Further, Ball, Dale, Eggers and Sacco (1999) recount the extravagance prior to NPM and accrual accounting, when public sector entities with excess funds made purchases merely to maintain their annual cash budget. While they recognise the one-off cost of conversion to accrual accounting, Ball et al. (1999) agree that better asset management ensues, as also backed up by, for example, Chan (2003).

In addition to quantification of transactions, in New Zealand the NPM reforms also required non-financial service performance information. While, prior to the reforms, performance measurement traditionally focused on inputs; expectations changed to require accountability for outputs (goods and services provided) and outcomes (overall changes effected) (Parker and Gould, 1999). *Ex-ante* performance forecasting allowed monitoring of the reforms' success, and to discharge accountability (Pallot, 1998). Recognising the central control function inherent in such reporting, Broadbent and Guthrie (2008, p.152) note: "[t]he extent to which these targets are as likely to cause dysfunctions as to ensure intended outcomes remains problematic more generally and is a significant issue in relation to public services". Although it was expected that these outcomes would be reported and managed, Petrie and Webber (2001) in a review of the NPM reforms in New Zealand, found that such reporting was not monitored. Neither were public sector budgets well aligned with government strategy (Petrie and Webber, 2001), further reducing the usefulness of mandatory service performance reporting.

The reforms did not remain static, with many commentators suggesting that NPM is being replaced by NPG at least conceptually, if not in practice (Osborne, 2006; 2010). Based on network theory, rather than rational or public choice theory, NPG grounds the public sector organisation within its environment and emphasises the negotiation of "values, meaning and relationships" (Osborne, 2010, p.10) with others in its networks. By envisaging the state as plural and pluralist, NPG concepts are based on democracy rather than the neo-liberalism which underpins NPM (De Vries and Nemec, 2013; Osborne, 2010). De Vries and Nemec (2013) suggest that one reason for the rise of NPG is the need for governments to find remedies for failed markets following the Global Financial Crisis. Rather than 'small' efficient government, citizens seek 'joined-up government' and extensions of government control (Lægreid et al., 2008).

NPG favours network governance rather than layering further reforms onto market-focused NPM (De Vries and Nemec, 2013). The notion of 'partnership' between public and private organisations leads to the public sector increasingly delivering and funding public services (Broadbent and Guthrie, 2008), but the aim is to cooperate in strategic partnerships with 'joined-up government' as "a form of organization in which clients, suppliers, and producers are linked together as co-producers" (Considine and Lewis, 2008, p.134). Thomas (2013, p.788) notes that co-production is "an idea that enjoyed brief popularity in the United States several decades ago … [and] occurs when governments partner with nongovernmental entities, including members of the public, to jointly produce services that governments previously produced on their own".

NPG also emphasises public sector quality, rather than efficiency, with joint action towards a client focus (Considine and Lewis, 2003; De Vries and Nemes, 2013). Broadbent and Guthrie (2008) are less sanguine about the role that these clients and the general public are allowed in an NPG environment. Hence, public administration scholars develop the 'public' into three roles - consumer, citizen and partner – and some categorise these further (Thomas, 2013). Indeed, Thomas (2013) provides examples of improved government performance when citizens are co-producers, as citizens can provide better local information, and are more likely to accept and implement community decisions, which leads to services better fitting with community preferences and a better quality of life. While involving citizens in this way can be costly in terms of resources and time, Thomas (2013) encourages innovation to ensure co-production occurs.

As NPG emerges with less emphasis on the competitive market, network governance means "the pure information function of accounting plays an auxiliary role" (Oehr and Zimmerman, 2012, p.143) and must balance interests and distributions. Therefore we ask: what change in accounting requirements can recognise this balancing of interests? We consider this sub-question in respect of Australia's heritage reporting, as the model we develop is underpinned theoretically by NPG. Thus it is based on the concept of networked and democratic engagement with citizens and co-production to maintain heritage items within communities.

If accounting as information is indeed auxiliary to balancing community interests, then sources outside of accounting must be drawn on for underpinning concepts. Accordingly, our model (see section 4) utilises the five UNESCO (1972) dimensions and operational guidelines issued by UNESCO (2015) as an authoritative source for the management of heritage. Established in 1972, UNESCO now recognises more than 1000 heritage properties worldwide. This recognition is underpinned by UNESCO's democratic processes, calling upon communities to identify heritage of importance to them.

3. Development and present state of heritage reporting requirements - a critique

In critiquing and proposing a model for heritage reporting in Australia, this section utilises the UNESCO (1972) dimensions: identification, presentation, protection, conservation and transmission[iv] to compare and contrast the current state of heritage reporting in Anglo-Western countries as required by standard setters in: Australia (the Australian Accounting Standards Board (AASB)), the UK (the Financial Reporting Council Board-FRC), New Zealand (the External Reporting Board-XRB), and the United States (US) (the Federal Accounting Standards Advisory Board-FASAB which promulgates standards for federal entities). We selected these standard setters because the core accounting standards differ between the UK, New Zealand and the US, with the base of standards in the UK (IFRS) being similar to Australia.[v]

However, although for-profit (IFRS) standards provide the basis for reporting in the UK, the Financial Reporting Advisory Board (FRAB) advises the Treasury on accounting in government and public sector entities, and this approach reflects some of the information requested by users in the Aversano and Christiaens' study (2014).[vi] The main difference between the heritage reporting standard in Australia and that of the UK is that FRS 30 (now FRS 102) requires disclosure of policies adopted for the acquisition of heritage assets as well as their preservation, management and disposal transactions, and description of maintenance record, while under the Australian standard these non-financial disclosures are not required.

Similar to Australia, New Zealand has been criticised for its sector-neutral approach to accounting standards setting and requiring capitalisation of heritage resources (e.g. Hooper et al., 2005; Wild, 2013). New Zealand has recognised service potential (the ability of the resource to enable the entity to meet its objectives) over and above economic benefits since the mid-1990s. Further, concern about the sector-neutral IFRS-based approach to standard setting led to New Zealand introducing IPSASB-based standards for public sector reporting for periods beginning on or after July 1, 2014 (Cordery and Simpkins, 2016).

In the US, the FASAB recognises that the benefits derived from an asset are often from services (FASAB, 2015) and this builds on the Financial Accounting Standards Board's (1985) inclusive nature of an economic benefit (including service potential). Further, the US is the exception to the approach in other jurisdictions, as it does not require all heritage resources to be valued (see Table 1, row 6 and 7). Instead SFFAS 29[vii] (FASAB, 2015) requires detailed disclosure in regard to heritage assets. Table 1 compares public sector reporting for heritage in each jurisdiction.

INSERT TABLE 1 HERE

Recognition and measurement are significant issues for heritage. Hence this section argues that how heritage is identified (defined) and presented (and valued) in Australia fails to assist in the protection, conservation and transmission of heritage.

Identifying (defining) heritage

Identifying or defining heritage is core to reporting. The AASB does not offer a definition of heritage. However, the Accounting Policy issued by the Australian Capital Territory (ACT) Treasury Department states:

> *The terms heritage asset or cultural asset refer to assets that have unique cultural, historical, geographical, scientific, and/or environmental attributes that the Government intends to preserve indefinitely because of those attributes (ACT Government, 2008, p. 2).*

A more comprehensive definition of heritage has been provided by the Australian Department of Sustainability, Environment, Water, Population and Communities (DSEWPC):

> *… all the things that make up Australia's identity - our spirit and ingenuity, our historic buildings, and our unique, living landscapes. Our heritage is a legacy from our past, a living, integral part of life today, and the stories and places we pass on to future generations (Department of Environment, n.d.).*

These highlight uniqueness and the intangible nature of heritage. This intangibility adds to the challenge of reporting. As can be seen in Table 1 (row 5), the UK definition specifically states that heritage must be 'a tangible asset', whereas the New Zealand and US definitions do not explicitly state whether heritage are tangible or intangible. It could be argued that intangible heritage is included in these jurisdictions' definitions as, for example, the FASAB (2005, para 15) discusses the 'cultural, educational, or artistic (e.g. aesthetic) importance' of heritage.

Nevertheless, accounting for heritage in each country is based on the asset definition. The asset definitions provided in Table 1 (row 3) demonstrate three common characteristics that will determine if heritage is an asset: a past transaction, present control and (as discussed in the following sub-section) a future economic benefit. Yet, the impetus to protect, conserve and transmit heritage to future generations may be disassociated with the asset concept. In the case of heritage, the 'past event' has largely been supported in the literature (Barton, 2000; Carnegie and Wolnizer, 1995; Micallef and Peirson, 1997). The issue of control is more problematic.

Mautz (1988) proposed the term 'heritage facilities' to deflect the focus from control, but Pallot (1990) advocated the term 'community assets', arguing that such assets are community property.[viii] This recognises governments' duties to protect and conserve these assets for the public and that governments' rights are not those associated with private properties. Indeed, Barton (2000) argues that heritage resources are public goods, and the benefits accrue to the public rather than the reporting entity. A principal characteristic of 'public goods' is non-excludability, so that even those who fail to pay for a resource cannot be excluded from its use (Tietenberg, 2016). Hence these heritage resources do not meet the criterion of excludability which is intertwined with the concept of 'control.'

Pallot (1990, 1992) views an asset from two separate perspectives: resources and property. While resources are a means to a public-service end (Pallot, 1990), for heritage property, the concept of ownership can indicate control. Pallot (1990, 1992) outlined three different rights associated with ownership: (1) the right to manage and make decisions about the property; (2) the right to benefits arising from the property; and (3) the right to dispose of the property. The ascription of ownership causes debates even in the for-profit sector (see, for example, leases). Nevertheless, restrictions on the right to sell heritage resources, or constraints on their use or management are particular public sector issues (Barton, 2000; Carnegie and Wolnizer, 1995; Pallot, 1990). Barton (2000) adds that government retains the first right (to manage heritage resources and make decisions about their maintenance). However, the second right (to benefits) accrues to the public rather than to government. With regards to the third right, government is frequently restricted from disposing of heritage resources (XRB, 2014, para 10).

Burritt and Gibson (1993) compare legal and accounting concepts of control. Although in Australia a heritage resource recognised by UNESCO may be legally owned by a State government, the Commonwealth government may legally control its protection. Hence, assessing dominant control is challenging. While the term 'asset' better relates heritage to the accounting profession, Potter (2002) and others are concerned that the term constricts possibilities for new thinking about unique public sector issues. Therefore we recommend that heritage is considered as a resource (not an economic resource) rather than an asset, in order to embark on a new conversation.Drawing on the UK, New Zealand and US definitions (see Table 1, row 3) we propose a definition:

> *"A tangible or intangible resource with historical, cultural, educational, artistic, technological, geophysical or environmental significance that is held and maintained principally for its uniqueness and is generally expected to be preserved indefinitely. It may in some cases be used to serve two purposes—a heritage function and general government operations and should be considered a multi-use heritage resource if its predominant use is in general government operations"*[ix]

This definition recognises governments' responsibility to protect, conserve and transmit heritage, even though they may not control it, heritage is unlikely to provide future economic benefits and indeed, may be a liability needing restoration and maintenance (Barton, 2000). Now we turn to presentation, including consideration of valuation and 'future economic benefits'.

Presenting (and valuing) heritage

By defining heritage as an accounting asset (see Table 1, row 3 and 4), accounting standards in Australia, the UK and New Zealand mandate capitalisation of heritage and thus, presentation on the balance sheet.[x] Although this position is supported in some quarters (see for example Hone, 1997; Micallef and Peirson, 1997), as noted, the voice and arguments of opponents has been strident (Barton, 1999b, 2000, 2005b; Carnegie, 2005; Carnegie and Wolnizer, 1995, 1997, 1999; Mautz, 1981, 1988; Pallot, 1990; Stanton and Stanton, 1997, 1998). While the purpose of listing a heritage resource is for its protection, conservation and transmission, accounting values focus on economic benefits (Burritt and Gibson, 1993). Burritt and Gibson (1993) and Ellwood and Greenwood (2016) are concerned that disclosing heritage resources in government accounts could encourage commercially-driven decisions on heritage resources and threaten governments' main duties - the protection and conservation of heritage.

These concerns are also borne out by respondents to Kober et al.'s (2012) survey who generally did not agree that public sector assets generate economic benefits. Indeed, the US FASAB allows entities to recognise only those heritage assets that do generate economic benefits (i.e. they are mixed-use; see Table 1, row 6). This notion is supported by Christensen and Mohr's (1999) study of US museums which found strong resistance to the notion of capitalising museum collections (that are not held to accrue economic benefits). Similarly Hooper at al. (2005) found that many independently funded regional museums in New Zealand were prepared to bear audit qualification than present heritage in their balance sheet, which they considered time-consuming and meaningless. Those museums had an entrenched identity tied to social and cultural values, as opposed to a government-funded museum with a managerialist (NPM) philosophy underpinned by economic rationality (Hooper et al., 2005).

The concept of economic benefits which is core to the definition of heritage as an asset, is typically associated with financial quantification, being: value-in-exchange and value-in-use (Barton, 2000; Stanton and Stanton, 1997; 1998). Value in exchange is deemed to be objective and verifiable, being determined by external parties/market prices (when there is ready availability) and often termed 'fair value'. Despite the arguments above that heritage seldom generates economic benefits, AASB 116: *Property, Plant & Equipment*, (AASB, 2014a) which guides heritage reporting in Australia, allows fair value for heritage reporting, especially where cost information is not available.[xi] Hone (1997) supports the AASB's decision, arguing that current market models should lead to efficient and rational resource use. However, New Zealand's PBE IPSAS-17 states that a heritage asset's value "is unlikely to be fully reflected in a financial value based purely on a market price" and that:

> *They are often irreplaceable[xii] and their value may increase over time, even if their physical condition deteriorates; and it may be difficult to estimate their useful lives, which in some cases could be several hundred years (XRB, 2014, para 11).*

Thus, value-in-exchange cannot be practically determined. Even if value in exchange can be estimated from similar items that are marketable, uniqueness and the inability to sell heritage reduces the usefulness of an estimate. Further, Marti (2006) notes that depreciation should not be recognised, as these assets are expected to have indefinite lives.

In contrast, value-in-use can be derived from estimating the discounted future cash flows from the asset. As the aim of holding heritage resources is not to generate cash inflow, but often leads to only cash outflows (Mautz, 1988), there is typically a weak relationship between heritage and cash inflows (Micallef and Peirson, 1997; Rowles, 2002). Nevertheless, value-in-use is also associated with the notion of service potential (Carnegie and Wolnizer, 1995). As shown in Table 1 (row 3), New Zealand and the US reporting frameworks recognise the service potential aspect in their heritage definitions. Although this concept may appear to be vague (Carnegie and Wolnizer, 1995), in the US, heritage has service potential when it assists an entity to achieve its objective(s), for example, to provide education or enjoyment to the public.

Over the past three decades, a number of other valuation models for heritage reporting have been mooted (see also Table 1, row 7). Glazer and Jaenicke's (1991) US study notes that valuation methods vary depending on the nature of the items and include: insurance value, market value, replacement value, book value and other methods. Christiaens (2004), finds a lack of measurement consistency and consensus in Belgium and internationally, as do Adams, Mussari and Jones (2011) in a broader European study.

Hone (1997) suggests public collections could be valued using the political valuation method (PVM) or the contingent valuation method (CVM). The PVM requires politicians to estimate value when they allocate public funds and assumes this reflects the values society places on public collections. This may be biased towards marginal voters (Carnegie and Wolnizer, 1997), and lacks a conceptually sound and technically feasible validation test (Hone, 1997). CVM is more reliable, and derives value from surveying a representative sample of society to ascertain what they would be willing to pay to preserve a public good. As it targets the beneficiaries of public goods directly, this method may be less ambiguous and more conceptually sound than PVM. Yet as respondents are not actually asked to pay to preserve the assets, the values given may be higher than they would actually be willing to pay. Thus, CVM has been critiqued on its use of non-market bases (Diamond and Hausman, 1994), and a lack of verification (Carnegie and Wolnizer, 1997; Milne, 1991).

Table 1 (row 7) shows the range of reporting requirements and valuation methods in each jurisdiction. While Australia, the UK and New Zealand predominantly expect financial valuation,[xiii] the significant exception is the US, where monetary value is assigned only to multi-use assets and only disclosures are required for most heritage resources. Our discussion has demonstrated that heritage resources are not readily quantifiable in financial terms (Carnegie and Wolnizer, 1995, 1999) challenging the valuation requirement. Aversano and Christiaens (2014) asked mayors and councillors of large local governments in Italy if IPSAS 17 met their needs. More than half of the information they required was not included in IPSAS 17, suggesting that the standard needs further work. Aversano and Christiaens (2014) noted those items scoring highly (4.0/5.0 or above) in the survey. These were:

- disclosures on: the costs of custody, conservation, restoration and maintenance; allocation and uses of financial resources;
- narrative information on: description, physical condition, how conservation is funded and what policies are being followed; and
- performance information on: budget vs. actual, activity and other indicators of performance (Aversano and Christiaens, 2014).

Carnegie and Wolnizer (1996) similarly support financial and non-financial performance indicators in a reporting framework for museums aligned to their activities. They argue that disclosing non-financial information would enable museum managers to discharge their accountability, as opposed to reporting based on narrow financial indicators resulting from solely capitalising heritage resources (under NPM). Such disclosures of broad performance measures are likely to increase transparency (Biondi and Lapsley, 2014).

In order to meet the NPG approach of balancing multiple users' needs it will be incumbent for accounting standard setters to enable heritage resources to be presented in ways that meet those users' needs. Hence any future reporting standard is expected to include financial and non-financial disclosures on aspects such as those outlined by UNESCO (1972) and the operational guidelines of UNESCO (2015), including narrative and performance information.

Protecting, Conserving and Transmitting (passing on) heritage

If reporting of heritage resources is to assist in their protection, conservation and transmission, it is important to understand 'for whom' the reporting is undertaken. As can be seen from Table 1 (row 8), the AASB (2014b) lists 'existing and potential investors, lenders and other creditors', while the UK lists 'funders and financial supporters' (ASB, 2009), and New Zealand lists 'service recipients and their representatives and resource providers and their representatives' (XRB, 2016). The US listing is specific but broad, including 'citizens, Congress, federal executives, and federal program managers' (FASAB, 2015). The needs of these users can be identified from the objectives of NPM and NPG. As noted, under NPM, governments need information to assist them to manage public sector performance, as well as to discharge public accountability (Considine and Lewis, 2003; Pallot, 1998). Whereas, NPG seeks to also balance citizens' different interests (Oehr and Zimmerman, 2012), suggesting a wide variety of users will be called upon to be co-producers (Thomas, 2013). The contrast between NPM's focus on efficiency and NPG's on co-production and balancing users' needs, makes this a contested space that needs careful negotiation.

When the UK ASB suggested that users of heritage information are funders and friends, it was challenged on the grounds that the funders are not interested in the financial values of heritage but rather in the appropriate use of funds, that is, how the donated funds have been used in protecting, enhancing and retaining heritage (Barker, 2006). This was also reported to be the case in the US, when Glazer and Jaenicke (1991) reported on interviews with bond-issuers, insurers and corporate grant-makers.

Therefore, dissimilar to the AASB's current focus on valuation, prior literature and UNESCO (1972; 2015) suggest reporting should concentrate on identification of new heritage, its protection from damage or decay, conservation at the desired state, presentation to raise community awareness (through communication and educational programs) and transmission of heritage knowledge to future generations.

4. A proposed heritage reporting model in a pluralist and networked state

The model in Table 2 uses our proposed definition of heritage (see section 3) in order to identify heritage. This redefines heritage as a resource instead of an asset and thus encourages public sector entities to engage with their communities – in much the same way as envisaged by Pallot (1990) when she coined the term 'community asset'. It also enables the broadening of discussion on heritage beyond the narrow term 'asset' (Potter, 2002) and the need to report heritage as a financial asset that is controlled by one entity. Thus we propose that heritage that is simultaneously used in governmental operations ('multiple use' with economic service potential) is an 'asset' (recognising arguments also made by Christiaens et al., 2012 and Cheng and Harris, 2000). This is evident in the US standards (FASAB, 2015; XRB, 2014).

We recommend that the AASB consider sector-specific valuation options for such assets, to better meet users' needs as noted above.

Nevertheless, public good heritage that has a 'single use' (public enjoyment) falls under the notion of 'resource'. The sector-neutral position is that reporting heritage as assets should provide information that is useful for decision-making and yet, as highlighted, these valuations are incomplete and much heritage remains unaccounted for and perhaps mismanaged. Whether under NPM or NPG, the aim of public sector reporting is to fulfil public accountability as well as to inform decision-making. In respect of heritage, to discharge accountability, reporting entities must establish that heritage resources fulfil their purposes (for example, social, cultural and environmental objectives) (Barton, 2000; Carnegie and Wolnizer, 1997). Hence a reporting model to demonstrate accountability of heritage resources should encompass three categories that are 'management of heritage resources,' 'financial' and 'non-financial' performance indicators and report on five dimensions as outlined in UNESCO (1972) (identification, presentation, protection, conservation and transmission).

The first category (Table 2, Part A) 'management of heritage resources' follows from SFFAS 29 that requires disclosure of how heritage resources relate to the mission of the entity, provides stakeholders with an appreciation of the overall purpose of holding heritage and the stewardship policies governing such management. In addition to fulfilling stakeholder information needs, reporting on the 'purpose' of holding heritage also directs future activities for organisations holding these resources and promotes community participation, moving away from rationalising based on financial values. Reporting of items under the second category of 'financial performance' (e.g. 'projected' and 'planned versus actual amount spent') (Table 2, Part B) aligns with 'management objective' (the first category). It also encourages co-production and prioritisation when there are budget constraints. Similarly, reporting of items under the third category of 'non-financial performance' (Table 2, Part C) such as 'description of the present state compared to ideal' and 'description of achievement of outcomes' aligns with 'management objective' (the first category) and encourages co-production through encouraging democratic debate and participation with regard to heritage related activities. Overall, the model will appropriately communicate to the management and stakeholders the purpose of heritage, its public goods attributes (being held for public enjoyment) and encourage co-production with a NPG framework.

INSERT TABLE-2 HERE

In addition to reporting on the 'management of heritage resources' (proposed in Section A of Table 2) the proposed disclosures in Section B and C (second and third categories) are supported by SFFAS 29 (FASAB, 2015) and disclosure practices suggested by Aversano and Christiaens (2014) who argue that users require information such as maintenance efforts, preservation, economic status and inter-generational efforts.

In both Sections B and C of our proposed model for heritage reporting, we note (with an X) issues that should be reported under each of the five categories drawn from the UNESCO, (1972): identification, presentation, protection, conservation and transmission of heritage to future generations. We argue that such reporting would meet multiple users' needs in an NPG environment where reporting on qualitative aspects is important and accounting is called upon to balance interests and disbursements.

As noted, focussing on the purpose of heritage leads to not only presentation of existing heritage and confirming its protection and conservation, but also emphasises proactive

identification of new heritage and transmission to future generations which is encouraged in our proposed model.

Presentation of heritage should recognise who has management rights, who accrues benefits, who can dispose of it (Pallot, 1990) and that heritage resources typically require cash outflows (see Mautz, 1988). Multiple parties are involved. When heritage resources hold unique features they should not be reported with other assets, but treated separately (Barton, 1999b, 2000, 2005b; Carnegie and Wolnizer, 1999; Mautz, 1988; Pallot, 1990). For a reporting model to recognise the co-production aims of NPG, it is important to disclose the community ownership and rights inherent in the heritage resource but also for the entity primarily responsible for the heritage to report on those responsibilities. This may mean heritage is reported on many entities' statements, depending on the extent of the network. Such reporting of responsibility necessarily recognises the 'joined up government' aspects of NPG (De Vries and Nemec, 2013) and should also highlight how citizens can become co-producers in ensuring conservation quality (see Considine and Lewis, 2003). An example of co-production through a 'listening and learning' local council is provided by Kinder (2012). Here, the council invigorated networks within the community and, through reporting and monitoring of performance, delivered better performance and accountability. Osborne et al. (2016) argue that co-creation of value is fundamental to such co-production and accordingly, Moore and Hartley (2010) note that co-production requires both operational capability and fungible contributions. Section B and C of our model allows for these latter to be recognised.

In section 3 of the paper we highlighted issues with presenting heritage with an economic value. Attaching economic values fails to recognise the public objectives for which heritage is held in the case of single-use heritage resources. Reporting on these heritage resources should include aspects such as the cost to protect and conserve the resource, so that this can be transmitted to future generations. This is in line with Christiaens et al. (2012).

As noted, the term **presentation** is also used in terms of educating communities about heritage, along with reporting on **protection, conservation** and **transmission** of heritage. Our proposed model (Table 2) addresses concerns raised in Australia by Carnegie and Wolnizer (1995, 1999) that capitalisation does not enable an entity to fulfil accountability demands; that such numbers cannot measure efficiency; that attaching financial numbers to heritage collections lacks commercial meaning; the values are unreliable; are of questionable relevance (especially when obtained on different dates or which are outdated) and cannot capture non-financial attributes. The proposed model attempts to put meaning into Australian heritage reporting through non-financial performance measures to reduce commercially driven decisions about heritage resources (Ellwood and Greenwood, 2016) focussing on the main duty of the government which is the protection and conservation of these heritage resources (Burritt and Gibson, 1993). 'Presentation'[iv] in our proposed model does not include valuation and refers back to the purpose of holding heritage that is enjoyment and active learning. Presentation enables the democratisation of prioritisations made (preservation or not and at what level), and engages co-production with the community.

Further, as the financial data in our proposed model is related to costs of the identification, protection, conservation, presentation and transmission of heritage, these amounts are developed at similar points in time, rather than being incommensurate which was a concern of Carnegie and Wolnizer (1997) with regard to capitalisation. It should be noted that non-financial data may also include voluntary effort and other assistance from networked communities that seek to maintain and expand their heritage resources appropriately through co-production.

The proposed model concentrates on the purpose and functions associated with heritage, promoting community engagement and co-production. Commencing with the 'description of the role of heritage to the mission of the entity' it promotes the engagement of multiple organisations in contributing towards communities' heritage resources. The 'financial' aspects of the proposed model focuses on issues such as projected and actual amount spent on heritage in multiple aspects such as scientific studies and development of community programs and activities and therefore further engages the community, providing a sense of co-production. Similarly, the 'non-financial' aspects of the proposed model by focussing on programs, activities and description, signifies the actual purpose of holding heritage and the public nature of heritage that is 'owned' by the community. Reporting based on the proposed model in annual reports is expected to better meet accountability demands since this is the main medium of communication between organisations and external parties. Further, Mack and Ryan (2006) stressed that Australian users of public sector annual reports primarily seek such public accountability. In cases where the heritage resources have 'multiple use' reporting based on the proposed model can be presented as supplementary information to financial statements. Performance auditing by an independent expert on items that compare against targets for example with regard to 'planned (budgeted) versus actual amount spent (Section B, Table-2) and 'description of the present state compared to ideal' (Section C, Table-2) will further provide assurance to the community.

5. Conclusion and directions for future research

The NPG-based model presented in this paper attempts to answer the historical questions about heritage with a new theoretical framework. Proponents of the financial valuation of '*heritage*,' use a definition that forces heritage to be an '*asset*' limiting the way forward to a NPG reporting model, despite the arguments from academicians and practitioners against treating heritage as government assets (Barton, 2005b; Hooper et al., 2005). In determining heritage reporting in Australia, it is disquieting that the answers to the six questions raised by Carnegie and Wolnizer (1995, 1999) have not been developed in the two decades since they were raised and that other arguments have also been ignored in the push for sector-neutrality. Users of government reports have suggested that capitalisation does not fulfil their information needs (Aversano and Christiaens, 2014). Further, the advent of NPG and co-production suggests that these users are diverse, and their needs are likely to proliferate. The push for democracy through pluralism means government should listen and respond to their citizen's (stakeholders') needs. Thus, non-financial data is as important as (if not more than) traditional quantification to inform the inevitable decisions that governments must make to manage heritage resources in a democratic manner.

While NPM focuses on accountability and efficiency, the NPG ethos is instead concerned with co-production and quality. This requires an accounting that balances the interests of communities. Public sector entities will thus need to provide evidence of their accountability through engagement with society. They must also work towards identification, protection, conservation and transmission of heritage resources, publish financial and non-financial reports on their activities and provide community education on heritage (presentation). In the NPG era, measurement needs to shift towards activities and performance rather than valuation. This is also likely to lead to more informed community notions of justice and fairness in the distribution of resources.

Our NPG-based model builds on the critique of the past, emerging concepts of heritage, and the need to engage citizens in a pluralist and networked state. It is necessary to empirically test the model to meet the needs of communities who require accountability and seek to engage in decisions about the future of their heritage. Future studies should also examine which aspects of this model should be optional and which ones should be mandated, and the extent to which information could be aggregated or disaggregated to best meet the need to identify, protect, conserve and transmit these heritage resources to future generations.

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[i] In this paper heritage items/resources refer to those heritage that are held for public enjoyment (public goods), unless otherwise stated.

[ii] The IPSASB issued a Consultation Paper (CP) in April 2017 (IPSASB, 2017) entitled*: Consultation Paper: Financial Reporting for Heritage in the Public Sector*.

[iii] See Table 1, Row 1 and 2 for the financial reporting base post-reform and as at 2017, respectively.

[iv] 'Identification' refers to assessing tangible and intangible resources to evaluate whether they meet the criteria of 'heritage'. 'Presentation' refers to "interpretation, communications and outreach education programming that provides for enjoyment and active learning" (Parks Canada, 2016). We also use it in this paper to consider the presentation of heritage in an annual report to users. 'Protection' refers to restricting damage or decline from the present state of heritage resources, for example, protecting against decay. 'Conservation' includes protection but also includes measures to maintain at desired state. Finally 'transmission' applies to the responsibility to pass on cultural heritage and knowledge from one generation to the other.

[v] We compare the core standards, recognising that entities are able to refer to other authoritative guidance.

[vi] The ASB (The Accounting Standards Board was the forerunner to the FRC) acknowledged that heritage reporting includes "very difficult and challenging" issues, with robust discussions between the ASB and practitioners (particularly those from the charity and museum sector) preceding the standard's issue (ASB, 2009, p. 14). In 2012 the FRC assumed responsibility for accounting standards formerly developed by the ASB and issued FRS 102 in 2015. FRS 102 is a single reporting standard that replaced all extant FRSs including FRS 30.

[vii] SFFAS 29 is also applicable to multi-use heritage resources.

[viii] Though Pallot (1990) advocates the concept of 'community asset,' the author did not advance this notion to the NPG ideals of co-production which were not developed at that stage.

[ix] This is different from IPSASB (2017) which does not currently recognise the possibility that heritage resources can be held for different reasons.

[x] The capitalisation of heritage resources was first proposed in Australia in the early 1990s in conjunction with the introduction of accrual accounting in the public sector (Rowles, 1992).

[xi] As heritage may be donated or inherited, 'cost' can be problematic to measure (Christiaens, 2004). Hence, Christiaens (2004) also noted the use of a continuity approach and a zero-based approach. The continuity approach values capital assets by adjusting historical cost for inflation and depreciation (Christiaens, 2004). The zero-based approach values the capital asset when it is first recognised (Christiaens, 2004).

[xii] Hence, replacement cost would be unsuitable for presenting/valuing unique items. However, Christiaens, Rommel, Barton, and Everaert (2012) propose that public sector assets with business-like status should be valued at historic or replacement costs, as is currently allowed in all four of the different jurisdictions canvassed in this paper (as summarised in Table 1, Row 7).

[xiii] Although New Zealand requires heritage assets to be recognised under its adaptation of IPSAS (NZ PBE IPSAS 17) (see Table 1, rows 6 and 4), the unmodified IPSAS 17 does not require or prohibit their recognition. Note also that IPSASB (2017) is a Consultation Paper on heritage reporting.

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Table 1: Comparison of Public Sector Reporting across four jurisdictions in relation to heritage assets

	Details	Australia	United Kingdom	New Zealand	United States
1	Public sector financial reporting post NPM reforms	1990 Conceptual Framework establishes 'sector-neutral' reporting for public and private sectors (Potter, 2002). Accrual accounting adopted from 1990s (State dependant) (Carlin, 2005).	1999 Statement of Principles for Financial Reporting establishes standards for for-profit entities. The Financial Reporting Advisory Board adapts these for the public sector (Ellwood and Greenwood, 2016). Accrual accounting adopted from the 1998/99 year (Carlin, 2005).	1993 NZ Conceptual Framework establishes 'sector-neutral' reporting for public and private sectors (Cordery and Simpkins, 2016). Accrual accounting adopted from 1990 (Carlin, 2005).	The Government Accounting Standards Board (GASB) defines standards for US States and local governments, and the Federal Accounting Standards Advisory Board (FASAB) for federal entities. These draw on FASB standards. Accrual accounting is used for actual results and cash for budgets (FASAB, 2015). Accrual accounting adopted from 2001 (Carlin, 2005).
2	Current reporting base (as at 2017)	Australian-IFRS (from 2005) based on IASB standards continue to be sector-neutral	IASB standards are endorsed by the European Accounting Regulatory Committee for the UK. FRAB adaptations are sector-specific.	NZ Public Benefit Entity Standards (PBE) (from 2014) based on IPSASB standards are sector specific standards.	GASB established in 1984 and FASAB in 1990 – both promulgate sector-specific standards.
3	Asset definition	"… future economic benefits controlled by the entity as a result of past transactions or other past events" (SAC4, 1992, para 14)	"Assets are rights or other access to future economic benefits controlled by an entity as a result of past transactions or events" (UK Statement of Principles, 1999)	"An asset is a resource controlled by the entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity" (XRB, 2014, para 49).	"…assets are expected to provide benefits that outweigh costs… Expected benefits often are … the services provided by the asset (FASAB, 2015, para 64-65).
4	Current standards	AASB 116 *Property, Plant and Equipment* (AASB, 2014a).	FRS 102 (a single reporting standard) includes requirements of previous FRS-	NZ PBE IPSAS 17: *Property,* (XRB, 2014) *Plant & Equipment.* (Adapted from IPSAS17	Statement of Federal Financial Accounting Standard (SFFAS) 29 *Heritage Assets and Stewardship Land* (FASAB,

		(Adapted from IAS16 *Property, Plant and Equipment.*)	30 *Heritage Assets* (ASB, 2009) and requirements in FRS-15 *Tangible Fixed Assets.*[1] (Adapted from IAS16 *Property, Plant and Equipment*)	*Property, Plant & Equipment.)*	2015).
5	Definition of heritage assets	None	"A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture." (ASB, 2009, p. 5)	"… heritage assets [have] cultural, environmental, or historical significance … These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes. … The existence of both future economic benefits and service potential can affect the choice of measurement base" (XRB, 2014, paras 10-11)	"… property, plant and equipment (PP&E) that are unique for one or more of the following reasons: • historical or natural significance, • cultural, educational, or artistic (e.g., aesthetic) importance; or • significant architectural characteristics. … are generally expected to be preserved indefinitely… may in some cases be used to serve two purposes—a heritage function and general government operations [and] … should be considered a **multi-use heritage** asset if the predominant use of the asset is in general government operations" (FASAB, 2005, paras 15-17)
6	Recognition	As property, plant or equipment (para Aus6.2) if it "can be reliably measured" (AASB, 2014a, p.34 - Guidance)	As property, plant or equipment (ASB, 1999).	As property, plant or equipment. Unique characteristics of heritage items are acknowledged (XRB, 2014, para. 10-11).	Heritage assets may not be capitalised in federal balance sheets unless they have multiple uses, being both heritage items and also serving general operations (FASAB, 2005).
7	Valuation	Cost or fair value. Subject to impairment	At cost or revalued amount (not fair value) (ASB, 1999a) or	Initially measured at cost or fair value if they are acquired via a	Only multi-use assets should be capitalised at fair value. Heritage assets

[1] The Financial Reporting Advisory Board required central government to use this standard which addressed anomalies in FRS-15 from 2009/10 and local authorities from 2011/12 (Ellwood and Greenwood, 2016).

	base	testing (rather than depreciation)	disclosure only (ASB, 2009, para. 20). Subject to impairment testing (not depreciation). Requires disclosure of policies for heritage asset acquisition, preservation, management and disposal, and descriptions of maintenance records wherever possible (ASB, 2009). Assets acquired after 2001 must also be valued at cost (Ainsworth 2009).	non-exchange transaction (XRB, 2014, para. 26-27) or disclosure only, if the resources do not meet the recognition criterion for assets.	must be disclosed by quantifying physical units (i.e. the number of physical units, units acquired and withdrawn during the period) and a description of the major methods used for acquisition and withdrawal purposes. Also, the entity must describe each major class of heritage asset, its management, and the relationship of the heritage asset to its mission, and stewardship policies (FASAB, 2005).
8	Users	Existing and potential investors, lenders and other creditors (AASB, 2014b).	Funders and financial supporters (ASB, 2009).	Service recipients and their representatives and resource providers and their representatives (XRB, 2016)	Citizens, Congress, federal executives, and federal program managers (FASAB, 2015).

Table 2: Proposed model of Heritage reporting

A. Management of heritage resources
1. Description of how single and multi-use heritage resources relate to the mission of the entity
2. Number and description of heritage resources held by the entity whether single or multi-use
3. Overall management objective for heritage resources
4. Stewardship policies with regard to heritage resources

B. Performance indicators of heritage resources-Financial					
	Identification	**Presentation**	**Protection**	**Conservation**	**Transmission**
Planned (budgeted) versus actual amount spent	X	X	X	X	X
Projected amount to be spent (future budget)	X	X	X	X	X
Actual amount spent on scientific and technical studies compared to plan	X		X	X	X
Projected amount to be spent on scientific and technical studies	X		X	X	X
Planned and actual amount spent on development of materials, activities and programs	X	X	X	X	X

C. Performance indicators of heritage resources-Non-Financial					
	Identification	**Presentation**	**Protection**	**Conservation**	**Transmission**
Description of the present state compared to ideal				X	X
Description of achievement of outcomes	X	X	X	X	X
Description of Future plans	X	X	X	X	X
Impediments encountered in achieving present year target compared to plan (if any)	X	X	X	X	X
Possible impediments in achieving future plans (if any)	X	X	X	X	X
Description of scientific and technical studies undertaken in the current year compared to planned studies	X		X	X	X
Description of scientific and technical studies planned in the future	X		X	X	X
Description of materials, activities and/or programs undertaken in the current year	X	X	X	X	X

Description of the effects of materials, activities and/or programs undertaken in the current year	**X**	**X**	**X**	**X**	**X**
Description of required improvement with regard to studies and/or programs	**X**	**X**	**X**	**X**	**X**
Management systems/plans e.g. visitor management policy				**X**	**X**
Description of community consultation	**X**	**X**	**X**	**X**	**X**